

State of Alaska FY2008 Governor's Operating Budget

Department of Transportation/Public Facilities Marine Vessel Operations Component Budget Summary

Component: Marine Vessel Operations

Contribution to Department's Mission

Provide safe, reliable, and efficient transportation of people and vehicles between Alaskan communities, Canada and Bellingham, Washington.

Core Services

The Alaska Marine Highway System (AMHS) Marine Fleet Operations Component consistently meets the transportation needs of a diverse group of travelers. The multi-dimensional services offered by the AMHS, including cross-Gulf of Alaska sailings, provide a vital year round transportation link between road systems and many isolated Alaskan villages and towns. Moreover, this link allows for rapid delivery of perishable goods and products such as fresh produce and fresh Alaskan seafood. The transportation of essential construction equipment and materials plays a key role in supporting economic development. By the same token, transporting tourists to Alaskan communities injects revenue directly into local economies.

Operations services provides:

Transport of people, goods and vehicles to and from 32 ports along 3,500 track miles from Bellingham, Washington, through Southeast Alaska, across the Gulf of Alaska to Prince William Sound and South Central Alaska, to Kodiak Island, the Alaskan Peninsula and out the Aleutian Islands to Unalaska.

Meet U.S. Coast Guard (USCG) requirements by staffing AMHS vessels with qualified employees.

Provide quality service to every customer including housekeeping, food service, gift shops and bar service.

Certify all shipboard employees under the Standards for Training, Certification, and Watch-keeping for Seafarers (STCW) program.

Provide system wide security as per the regulations of the Federal Maritime Transportation Security Act.

FY2008 Resources Allocated to Achieve Results

| | | |
|---|-------------------|------------|
| FY2008 Component Budget: \$134,064,400 | Personnel: | |
| | Full time | 593 |
| | Part time | 147 |
| | Total | 740 |

Key Component Challenges

Component issues include continued basic safety training certification, specialized Fast Vehicle Ferry (FVF) training, recertification of fast ferry crews, and maintenance of the updated Safety Management System (SMS) required by the International Safety Management (ISM) Code. AMHS continues to be challenged to provide specific training and certification for all vessel crews to comply with STCW requirements for vessels calling at foreign ports such as Prince Rupert. AMHS also continues to be challenged by the ever increasing Maritime Transportation Security Act (MTSA) federal security regulations and meeting SOLAS international requirements to operate in foreign ports, such as Prince Rupert.

Many changes are occurring in the AMHS fleet. The M/V Fairweather is now operating in Southeast and the FVF Chenega is operating in Prince William Sound. The vessels operated between Ketchikan and Juneau during the fall and

winter of 2005-2006. The operation of two day boats linking up to provide seamless service presented both operational, terminal, and security challenges. Weather and sea conditions from Ketchikan to Petersburg resulted in many cancelled and delayed trips.

The continual increase in the price of fuel has been a major challenge for the AMHS. Fuel prices have increased from about \$1.50 a gallon to an average of \$2.18 per gallon.

AMHS management has decided that the M/V Taku, M/V Matanuska, and M/V Kennicott will remain Safety of Life at Sea (SOLAS) classed thus dropping the M/V Aurora and M/V Leconte from SOLAS classification (SOLAS classification is required to travel into foreign ports). This decision has been based on SOLAS upgrade costs and scheduling logistics regarding Prince Rupert service. Prospectively, management will continue to have a great deal of cost planning, and scheduling logistics to assure that these vessels remain SOLAS compliant up to and through 2010. In the future, the AMHS faces many decisions regarding the development of new vessels and their integration into the fleet as well as the phasing out of the system's older vessels. At this time the fast ferries are experiencing as yet unsolved mechanical problems and a track record of unreliability during winter weather conditions. The need for more year round weather dependable shuttle day vessels is apparent and a plan must be developed to use the two current fast ferries within that plan.

Turnover and crew retirements continue to take place at a record pace. The lack of crew in general has created a substantial fleet crewing shortage which has resulted in the use of hold over and early call back to work in order to meet crew requirements resulting in excessive and uncontrollable vessel overtime costs. AMHS management is continuing to work on an aggressive new crew recruitment program. Management is looking to the maritime academies, national trade publications, and the Washington State Ferry System where advancement opportunities occur at a slower pace to attract new employees to the AMHS.

Significant Changes in Results to be Delivered in FY2008

The AMHS operating plan must be developed based on anticipated system revenues, general fund subsidies, and the AMHS fund balance. The AMHS will continue to provide year round safe, reliable and efficient transportation of people, goods and vehicles on Alaska's Marine Highway. Additional weeks of service will result in a higher frequency of port calls and provide better service to the traveling public.

Providing funds to cover increased fuel costs will ensure the existing level of service is maintained.

Major Component Accomplishments in 2006

Provided 411 total operating weeks of service in Southeast and Southwest Alaska including cross-Gulf of Alaska service connecting the two systems.

Successfully operated the FVFs M/V Fairweather and M/V Chenega under the International High Speed Code, kept crews certified, and developed a new crew recertification program for the fast ferry crews.

Increased the frequency of runs made by the M/V Lituya. This resulted in a large increase in passengers and vehicles carried on that vessel's route.

Maintained full service across the Gulf of Alaska and in Southeast with the M/V Kennicott and M/V Tustumena.

Operated two vessels in Prince William Sound during the summer season of 2006, the Aurora and the Chenega. This has never been accomplished in the past and resulted in the highest level of service in Prince William Sound to date. Also operated the Aurora during the winter 2005-2006 in Prince William Sound, which in the past has not had a dedicated winter vessel, thus providing reliable predictable winter service in that area.

Increased service to Kodiak and the Alaska chain routes with the M/V Tustumena providing a service level above any in the past.

Operated all other vessels with minimal loss of service due to breakdowns.

Met ISM, SMS and federal MTSA security guidelines.

Increased system-wide ridership and vehicle transport following multiple years of declining numbers.

Began the process for the design of a new class of Southeast shuttle day vessel.

Statutory and Regulatory Authority

AS 19

AS 44

| Contact Information |
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Marine Vessel Operations Component Financial Summary

All dollars shown in thousands

| | FY2006 Actuals | FY2007 Management Plan | FY2008 Governor |
|---|------------------|---------------------------|------------------|
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 74,236.3 | 71,443.8 | 81,305.5 |
| 72000 Travel | 1,802.0 | 923.7 | 923.7 |
| 73000 Services | 9,717.6 | 12,476.7 | 12,476.7 |
| 74000 Commodities | 32,401.6 | 31,558.5 | 39,358.5 |
| 75000 Capital Outlay | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Benefits | 0.0 | 0.0 | 0.0 |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 |
| Expenditure Totals | 118,157.5 | 116,402.7 | 134,064.4 |
| Funding Sources: | | | |
| 1004 General Fund Receipts | 78,788.1 | 78,456.3 | 96,118.0 |
| 1061 Capital Improvement Project Receipts | 223.8 | 0.0 | 0.0 |
| 1076 Marine Highway System Fund | 39,145.6 | 37,946.4 | 37,946.4 |
| Funding Totals | 118,157.5 | 116,402.7 | 134,064.4 |

Estimated Revenue Collections

| Description | Master Revenue Account | FY2006 Actuals | FY2007 Manageme nt Plan | FY2008 Governor |
|---|------------------------------|-------------------|-------------------------------|--------------------|
| <u>Unrestricted Revenues</u> | | | | |
| Unrestricted Fund | 68515 | 53,827.2 | 54,650.8 | 54,652.0 |
| Unrestricted Total | | 53,827.2 | 54,650.8 | 54,652.0 |
| <u>Restricted Revenues</u> | | | | |
| Capital Improvement Project Receipts | 51200 | 223.8 | 0.0 | 0.0 |
| Restricted Total | | 223.8 | 0.0 | 0.0 |
| Total Estimated Revenues | | 54,051.0 | 54,650.8 | 54,652.0 |

**Summary of Component Budget Changes
From FY2007 Management Plan to FY2008 Governor**

All dollars shown in thousands

| | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| FY2007 Management Plan | 78,456.3 | 0.0 | 37,946.4 | 116,402.7 |
| Adjustments which will continue current level of service: | | | | |
| -Reverse October FY2007 Fuel/Utility Funding Distribution | -7,800.0 | 0.0 | 0.0 | -7,800.0 |
| Proposed budget increases: | | | | |
| -FY08 Vessel Fuel Cost Increase | 15,600.0 | 0.0 | 0.0 | 15,600.0 |
| -FY 08 Retirement Systems Rate Increases | 9,861.7 | 0.0 | 0.0 | 9,861.7 |
| FY2008 Governor | 96,118.0 | 0.0 | 37,946.4 | 134,064.4 |

**Marine Vessel Operations
Personal Services Information**

| Authorized Positions | | | Personal Services Costs | |
|----------------------|---|----------------------------------|--------------------------------|-----|
| | <u>FY2007</u> <u>Management</u> <u>Plan</u> | <u>FY2008</u> <u>Governor</u> | | |
| Full-time | 593 | 593 | Annual Salaries | 0 |
| Part-time | 147 | 147 | Premium Pay | 0 |
| Nonpermanent | 0 | 0 | Annual Benefits | 0 |
| | | | <i>Less % Vacancy Factor</i> | () |
| | | | Lump Sum Premium Pay | 0 |
| Totals | 740 | 740 | Total Personal Services | |

Position Classification Summary

| Job Class Title | Anchorage | Fairbanks | Juneau | Others | Total |
|-----------------------|-----------|-----------|----------|----------|----------|
| No personal services. | | | | | |
| Totals | 0 | 0 | 0 | 0 | 0 |